

KEY BISCAYNE POLICE OFFICERS' & FIREFIGHTERS' RETIREMENT PLAN

Village Council Chambers
560 Crandon Blvd., Key Biscayne, FL 33149
REGULAR MEETING OF MARCH 26, 2009

1. Call to Order – Chairman Michael Haring called the meeting of the Key Biscayne Police Officers' & Firefighters' Retirement Plan to order at 5:40 P.M.

2. Roll Call

Present

Servando M. Parapar, Secretary
Michael Haring, Chairman
Dr. Robert L. Maggs
Jose L. Monteagudo

Absent

Sherry L. Reed

OTHERS PRESENT: Blake Myton from SunTrust, Burgess Chambers from Burgess Chambers & Associates, J. Stephen Palmquist from Gabriel Roeder Smith & Company, Jonathan Woodruff, Alison S. Bieler, Esq. and David S. Farrand, Esq., from Cypen & Cypen, Attorneys for the Plan and Joan L. Wall, Administrator.

2. Additions/Deletions to Agenda – There was a correction to the amount of the premiums for the Employee Dishonesty/Fidelity Bond since the agenda was posted and distributed. Both invoices were increased by \$5 each.

Attorney Bieler announced the current ordinance amending the plan was passed on second reading March 10th, 2009. As a result of this, Attorney Bieler advised it would be necessary to enter into a new contract with SunTrust.

A copy of the new contract, signed by both parties, with Gabriel Roeder Smith & Company and the fund was delivered to the administrator.

3. Approval of Minutes for January 22, 2009. Chairman Haring presented the minutes from the previous meeting for approval. Dr. Maggs moved to approve. Servando Parapar seconded the motion. The motion carried unanimously.

4. Ratify Invoice Paid in Interim. Chairman Haring presented the invoice from Professional Indemnity Agency, Inc., in the amount of \$3,981.42 for the annual premium for fiduciary liability coverage that was approved for payment since the last meeting. Servando Parapar moved to ratify the payment. Dr. Maggs seconded the

motion. The motion carried unanimously ratifying payment of the invoice to Professional Indemnity Agency, Inc. in the amount of \$3,981.42.

5. Approval of Invoices. Chairman Haring presented the invoices listed on the agenda as amended under agenda item # 2 for approval and payment. Jose Monteagudo moved to approve payment as amended. Dr. Maggs seconded the motion. The motion carried unanimously authorizing payment of the following:

Cypen & Cypen, 3/1/09, services outside of monthly retainer	\$ 2,275.00
Burgess Chambers & Associates, Inc., 1/21/09, Share Plan Search	\$ 7,500.00
SunTrust Bank, custody & investment fees, qtr ending 12/31/08	\$14,945.36
Joan L. Wall, Admin., 1/19 – 3/18/09, 60 hrs, plus expenses	\$ 2,792.40
Gabriel Roeder Smith & Co., #107623, 2/28/09	\$ 2,066.00
Holland & Knight, LLP, Invoice #2356645	\$ 2,876.45
Gerald J. Wilkoff, Inc., 3 year premium, Employee Dishonesty/Fidelity	\$ 505.00
Gerald J. Wilkoff, Inc., additional premium to cover administrator	\$ 688.00

6. UNFINISHED BUSINESS – None.

NEW BUSINESS

7. a) Schools/Conferences:

- Division of Retirement – 30th Annual Police Officers' & Firefighters' Trustees' School, 5/18 – 20/09, Tallahassee, FL

7. b) Gabriel Roeder Smith & Co.

- **Presentation of 10/1/08 Actuarial Valuation Report.** Mr. Palmquist stated the recent downturn in the market had been as bad as the Great Depression. He distributed information regarding the frequency of negative return years since 1926 for a portfolio with asset allocation similar to those of the plan. Fortunately our plan being a relatively new plan was not in the same position as the older larger plans. The required contribution by the Village for the FYE 9/30/09, based on the 12/9/08 Impact Statement, was 10.51% of covered payroll or \$639,518. The required contribution by the Village for the FYE 9/30/10, based on the 10/1/08 Valuation, was 11.6% of covered payroll or \$753,063. The contribution has been adjusted for interest on the basis that employer contributions are made in equal payments at the end of each month. These contributions can be met either by contributing the dollar amount or the percentage of payroll. Ordinance No. 2009-3, adopted on March 10, 2009, provides enhanced benefits for

Firefighters which include an increase in the benefit multiplier for service greater than 15 years (from 3% to 4%), a new condition for Normal Retirement based on a combination of age and service totaling 75 years, and a provision that allows for Firefighters to purchase an increased multiplier to be applied in the calculation of Retirement Option Plan for Firefighters (DROP) and a Share Plan. There have been no revisions in actuarial assumptions or methods since the last valuation. Gabriel Roeder Smith was recommending the investment return assumption be lowered to 8.0% or less at some time in the future. There was a net actuarial loss for the year which was due to greater than expected salary increases and less than expected recognized investment earnings. These have caused the required contribution to increase by 0.90% of covered payroll, which is low as compared to industry experience. It was noted there were errors on page 33 and Mr. Palmquist advised he would provide replacement for this page. Dr. Maggs moved to accept the valuation subject to revised page 33. Servando Parapar seconded the motion. The motion carried unanimously. The last revision to the Summary Plan Description was done in November 2006. Attorney Bieler recommended having Mr. Palmquist prepare a revision for review at a future meeting.

- **Letter dated 1/14/09 from Gabriel Roeder Smith** (requested by Trustee Sherry Reed for placement on this agenda). The matter was tabled until the next meeting. Mr. Palmquist stated he would provide a sample five year projection which will show the impact poor asset returns will have on required contributions. The cost for this was between \$1,500 and \$3,000 if the board decides to obtain a similar report for the fund.

7. c) Board Action – Adoption of expected rate of return for current year, each of the next several years and long term. The matter was tabled until the next meeting.

7. d) Burgess Chambers & Associates. Mr. Chambers distributed copies of his presentation of four model investment portfolios for DROP and Share Plan participants to select from: Conservative Balanced, Moderate Balanced, Balanced and Aggressive. Each of the four model funds have eight pieces, with the stable value having a fixed annuity component in two of the funds. These four funds ranged in equity allocations of 30%, 45%, 60% and 75%. Attorney Bieler expressed concern about the 15% allocation to international in the aggressive fund. Mr. Chambers stated he would reduce this allocation to 10% and increase both the Aim Mid Cap Core Equity A and the Ridgeworth Small Cap Value Equity 1 to 12.5% each from 10.0%. Attorney Bieler also brought to the trustees attention that unvested members were not permitted to self direct their funds in the Share Plan until they were vested. If they were to resign before vesting they would not be entitled to a refund of funds from their Share Plan balances. These forfeited funds are to be distributed among the other members on an annual basis. Only the trustees could make a default option determination as to the investment of these funds prior to vesting. Mr. Chambers further offered two

additional plans to the mix; SunTrust Retirement Stable Value Fund and the Ridgeworth U. S. Government Security Money Market 1. After discussion, Jose Monteagudo moved to approve the use of the six different investment options for the DROP participants to select from: the four model portfolios consisting of the Conservative Balanced, Moderate Balanced, Balanced and Aggressive with the reduction of the international component of the Aggressive to 10%; the SunTrust Retirement Stable Value Fund; and the Ridgeworth U.S. Government Security Money Market I. Servando Parapar seconded the motion. The motion carried unanimously. After further discussion, Jose Monteagudo moved to approve the use of the six different investment options for the Share Plan participants to select from: the four model portfolios consisting of the Conservative Balanced, Moderate Balanced, Balanced and Aggressive with the reduction of the international component of the Aggressive to 10%; the SunTrust Retirement Stable Value Fund; and the Ridgeworth U.S. Government Security Money Market I. Servando Parapar seconded the motion. The motion carried unanimously. As to the default option for the unvested members Share Plan participants or vested members who were in either the DROP or the Share Plan and failed to select and submit paperwork indicating their investment choice, Servando Parapar moved to select as the default option the Conservative Balanced for the unvested members Share Plan participants or members who were in either the DROP or the Share Plan and failed to select and submit paperwork indicating their investment choice. Dr. Maggs seconded the motion. The motion carried unanimously.

7. e) SunTrust Bank – Investment Review/Market Report. Mr. Myton stated that after the roller coaster action of the market, the rebound had raised the DOW up 25% since March 9th, leaving the year to date still negative 7% for the first quarter of 2009 as to equities. Fixed income was flat for this period. A lot of improvement was needed over the next couple of quarters. Mr. Myton advised the fund had no exposure to any investment connected to Bernie Madoff. As to the quarter ending 12/31/08, additional fallout from the credit crisis prompted a steep sell-off in equities and a flight to quality with the economy continuing to deteriorate and job losses mounting. A recession beginning in December of 2007 was officially declared. The S & P 500 lost nearly 22% in the fourth quarter for the weakest showing since the Crash of 1987. Mr. Chambers expressed his opinion that the economy had been overleveraged for a long time.

8. Trustees' Concerns. Dr. Maggs expressed concern that with the decline in market value of the fund the expenses were now in excess of 1.3% of the assets and he felt the vendors should be asked to reduce fees. Mr. Myton stated the SunTrust fees for both custody and money management were already reduced as fees were based on the market value of the fund. Mr. Chambers stated that his duties have been expanded due to the new services required for the self directed DROP and Share Plan. He anticipated charging an additional \$1,750 per quarter for these services. He stated he would put the increase on hold for a few quarters. Attorney Bieler stated the trustees

now have additional fiduciary responsibilities in the monitoring of the six options selected for the self directed DROP and Share balances.

9. REPORTS

- **Attorney** – Holland & Knight filed all the required forms timely for obtaining a favorable IRS Determination Letter. To date the IRS had not responded. Charles Slavin has retired as State Actuary. His position is currently being filled by Douglas Beckendorf, an actuary who had previous working experience in the actuarial field. David S. Farrand, Esq., was introduced to the trustees as a new attorney with the firm of Cypen & Cypen.
- **Administrator** – The 2008 Annual Report was filed timely.
- **Other** – Included with the agenda packages were the following;
 - Commission Recapture Reports
 - Cypen & Cypen 2/20/09 Memorandum regarding the IRS Governmental Plan Survey
 - SunTrust's communication of 2/9/09
 - Copy of Fiduciary Liability policy
 - Securities Monitoring Reports for 2/4 and 3/13/09

10. Input from Active/Retired Members – None.

11. Next Meeting Date/Adjournment – Chairman Haring announced the next regular meeting was scheduled for Thursday, May 28th, 2009 at 5:30 P.M. There being no further business before the board, Servando Parapar moved to adjourn at 8:15 P.M. Jose Monteagudo seconded the motion. The motion carried unanimously.

Respectfully submitted,

Servando Parapar, Secretary